



- Remove the label and attach it to the return you are filing.
- If any information on the label is incorrect, please do not use the label.

2008

Maryland Tax Forms for Fiduciaries

Forms and instructions for filing fiduciary income tax returns for calendar year or any other tax year or period beginning in 2008.

Important reminders:

- **Nonresident Fiduciaries must see Form 504NR**
- Read the instructions in this booklet.
- Use the above label on Form 504.
- Enter the federal employer identification number and tax year beginning and ending dates on all forms and payments.
- Sign and date the return.
- Nonresidents must calculate an additional 1.25 percent special nonresident tax.
- Nonresident fiduciary members of a pass-through entity who have had tax paid for them may claim this credit on Form 504.

This Booklet includes:

- Form 504 — Maryland Fiduciary Income Tax Return
- Form 504E — Maryland Application for Extension to File Fiduciary Income Tax Return
- Form 504D — Maryland Fiduciary Declaration of Estimated Income Tax
- Form 504NR — Maryland Fiduciary Nonresident Income Tax Calculation
- Form 504UP — Underpayment of Estimated Income Tax by Fiduciaries

Formas en Español

Visite nuestro sitio Web en www.marylandtaxes.com para obtener formas e instrucciones en Español.



Direct Deposit is Available!



Peter Franchot

Please read this *before* filling out your forms!

- ❖ The top state income tax rate for resident fiduciaries is 6.25 percent for tax year 2008. For nonresident fiduciaries there is an additional income tax rate of 1.25 percent.
- ❖ There have been significant changes to the Maryland tax law beginning with tax year 2008. Revised Form 504NR is now a required attachment for nonresident fiduciaries who have any modifications to the federal income, as well as to allow a nonresident fiduciary to adjust the Maryland tax based upon non-Maryland income received. See instructions relating to Form 504NR.
- ❖ Nonresident fiduciary members of a pass-through entity who have had tax paid for them may claim the credit on Form 504.
- ❖ Fiduciaries required to file federal Form 990-T are required to file and pay income tax to Maryland on their unrelated business incomes attributable to Maryland sources.
- ❖ A contribution can be made to three programs on your return: The Chesapeake Bay and Endangered Species Trust Fund, the Fair Campaign Financing Fund and the Maryland Cancer Fund.

FREE ASSISTANCE

BY PHONE

1-800-MDTAXES

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Monday - Friday

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January 20 - April 17, 2009

Call us for free state tax help

Monday through Friday,

8:00 a.m. until 8:00 p.m. Eastern time

from January 20 - April 17, 2009 at 410-260-7980.

You can also e-mail your tax questions to us any time at:

taxhelp@comp.state.md.us

Please use blue or black ink when completing your forms and checks. To avoid delays in the processing of your return: do not print returns on colored paper; do not write on, staple, or punch holes in the barcode.

FORMS

BY PHONE

410-260-7951

Place your order and we'll mail the forms.

INTERNET

www.marylandtaxes.com

Tax forms, instructions, publications and e-mail access to taxpayer assistance.

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GENERAL INSTRUCTIONS

Purpose of Form

Maryland follows the federal income tax treatment for fiduciaries of trusts and estates. Under the federal income tax rules, generally any income that is distributed by the fiduciary of the trust or estate during the tax year is not taxable to the trust or estate. Instead, that income is taxable to the beneficiary. Any income that is not distributed or only partially distributed by the fiduciary of the trust or estate during the tax year is taxable to the fiduciary of the trust or estate.

Due Date

Your return is due by April 15, 2009. If you are a fiscal year taxpayer, see Instruction 24.

If the due date falls on a Saturday, Sunday or legal holiday, the return must be filed by the next business day.

Completing the return

You must use blue or black ink when completing your return. **DO NOT** use pencil or red ink. Submit the original form, not a photocopy. If no entry is needed for a specific line, leave blank. Do not enter words such as "none" or "zero" and do not draw a line to indicate no entry.

You may round off all cents to the nearest whole dollar. Fifty cents and above should be rounded to the next higher dollar. State calculations are rounded to the nearest penny.

Penalties

There are severe penalties for failing to file a tax return, failing to pay any tax when due, filing a false or fraudulent return, or making a false certification. The penalties include criminal fines, imprisonment, and a penalty on your taxes. In addition, interest is charged on amounts not paid when due.

To collect unpaid taxes, the Comptroller is directed to enter liens against the salary, wages or property of delinquent taxpayers.

Substitute forms

You may file your Maryland income tax return on a computer-prepared or computer-generated substitute form provided the form is approved in advance by the Revenue Administration Division. The fact that a software package is available for retail purchase does not guarantee that it has been approved for use.

For additional information, see Administrative Release 26, Procedures for Computer-Printed Substitute Forms.

You may also call the tax information number listed on the back cover to find out which computer-generated forms have been approved for use or visit us at www.marylandtaxes.com.

1 Who must file Form 504

A fiduciary must file a Maryland fiduciary tax return (Form 504) if the fiduciary:

1. Is required to file a federal fiduciary income tax return or is exempt from tax under IRC Sections 408 (e)(1) or 501, but is required to file federal Form 990-T to report unrelated business taxable income, and

2. Has Maryland taxable income.

Form 504 is used by both resident and nonresident fiduciaries.

Who is a fiduciary?

"Fiduciary" means any person by whom the legal title to real or personal property is held for the use and benefit of another and includes a trustee of a trust and a personal representative of an estate.

Although you may be required to file a federal income tax return, you are not required to file the Maryland fiduciary return if you are:

1. An agent holding custody or possession of property owned by your principal; or
2. A guardian.

Instead, file the applicable income tax return of the principal or, in the case of guardian, the return of the minor or disabled person.

Who is a resident fiduciary?

A personal representative of an estate is considered a resident fiduciary if the decedent was domiciled in Maryland on the date of the decedent's death.

Fiduciaries other than personal representatives are considered residents of Maryland if:

1. The trust was created by the will of a decedent who was domiciled in Maryland on the date of death;
2. The trust consists of property transferred by the will of a decedent who was domiciled in Maryland on the date of death;
3. The creator or grantor of the trust is a current resident of Maryland; or
4. The trust is principally administered in Maryland.

A resident fiduciary is taxable on all its income from whatever source derived.

Who is a nonresident fiduciary?

A **nonresident** fiduciary is a fiduciary who is not included in the above definition of a resident fiduciary. See Administrative Release 16 at www.marylandtaxes.com

A nonresident fiduciary is taxable only on income from sources within Maryland. See Instruction 7, Maryland modifications and complete Form 504NR.

2 Use of federal return

You will need information from your federal fiduciary return in order to complete your Maryland return. Therefore, complete your federal fiduciary return **before** you continue beyond this point. Maryland law requires that you start with the federal taxable income reported on your federal fiduciary return. All items reported on your Maryland return are subject to verification, audit and revision by the Comptroller's Office.

3 Mailing label

Remove the mailing label from the booklet and place it over the name and address blanks of your tax return. If you do not have a label or if any of the information on the label is incorrect or if you are filing a computer generated form, print or type the required information in the

boxes at the top of page 1. Enter the federal employer identification number of the estate or trust in the space provided.

4 Type of entity

Check the box on the return corresponding to your federal return. The types of entities are described below:

Decedent's Estate

An estate of a deceased person is a taxable entity separate from the decedent. It generally continues to exist until the final distribution of the assets of the estate is made to the heirs and other beneficiaries. The income earned from the property of the estate during the period of administration or settlement must be accounted for and reported by the estate.

Simple Trust

A trust may qualify as a simple trust if:

1. The trust instrument requires that all income must be distributed currently;
2. The trust instrument does not provide that any amounts are to be paid, permanently set aside, or used for charitable purposes; and
3. The trust does not distribute amounts allocated to the corpus of the trust.

Because the income is distributed each year, the fiduciary may be required to file a fiduciary return, but there is not taxable income. A fiduciary is required to file a fiduciary return if the trust is a member of a pass-through entity (PTE) and had nonresident PTE tax paid on its behalf.

Complex Trust

If some or none of the income is distributed, the trust is called a complex trust.

Because the trust is retaining all or part of the income, the fiduciary must file a fiduciary tax return to determine the taxable income from which to develop both State and local tax due.

Grantor Trust

Income earned by a grantor trust is taxable to the grantor, not the beneficiary, if the grantor keeps certain control over the trust. This rule applies if the property (or income from the property) put into the trust will or may revert (be returned) to the grantor or the grantor's spouse. The grantor is the one who transferred property to the trust.

Generally, a trust is a grantor trust if the grantor has a reversionary interest valued (on the date of transfer) at more than 5% of the value of the transferred property.

Bankruptcy Estate

The bankruptcy trustee or debtor-in-possession must file Form 504 for the estate of an individual involved in bankruptcy proceedings under Chapters 7 or 11 of Title 11 of the United States Code if the estate was required to file federal Form 1041. See Instruction 26.

Qualified Funeral Trust

Maryland recognizes and follows federal law in the treatment of qualified funeral trusts. Maryland accepts the filing of composite returns for such trusts.

In most, if not all, cases, the income of each individual trust account does not exceed \$1,000. Therefore, the applicable state tax rate is 2%, and the applicable local tax rate is the rate for the situs of the fiduciary filing the composite return. For example, if the funeral home is located in Baltimore County, then the local rate for Baltimore County would apply to each trust included in the composite return. See Instruction 27.

Other

Check box 7 if you are the fiduciary filing for one of the following entities:

• Pooled Income Fund

A pooled income fund is a split-interest trust with a remainder interest for a public charity and a life income interest retained by the donor or for another person. The property is held in a pool with other pooled income fund property and does not include any tax-exempt securities. The income for a retained life interest is figured using the yearly rate of return earned by the trust.

• Qualified Disabilities Trust Fund

A trust created solely for an individual under 65 years of age who is disabled.

• Alaskan Native Settlement Trust

A settlement trust created within the meaning of the Alaska Native Claims Settlement Act.

• Tax-Exempt Trust with Unrelated Business Taxable Income required to file federal Form 990-T

If the fiduciaries for the following entity types are required to file federal Form 990-T, they are required to file and pay income tax

to Maryland on their unrelated business taxable income attributable to Maryland sources:

- Tax-exempt charitable trusts
- Individual Retirement Accounts (IRAs)
- Simplified Employee Pensions (SEPs)
- Simple Retirement Accounts (SIMPLE)
- Roth IRAs
- Coverdell Education Savings Accounts (ESAs)
- Archer Medical Savings Accounts
- Qualified tuition programs (Section 529 Plans)

5 Decedent's estate information

If the fiduciary return is for a decedent's estate, enter the following in the appropriate section: Date of death, domicile state of decedent and decedent's Social Security number. Check the box if this is the final return. If the return is not for a calendar year, enter the fiscal year beginning and ending dates at the top of the form.

6 Resident status

Read the instructions describing who is a resident fiduciary and then check the appropriate box.

If the return is for a resident fiduciary, provide the entity's subdivision code, county and city, town or taxing area.

If you are a personal representative of an estate enter the county (or Baltimore City) in which the decedent was domiciled on the decedent's date of death. Also complete the decedent's estate information.

If you are a fiduciary, other than a personal representative, enter the county (or Baltimore City) in which the trust is principally administered.

If the trust is not principally administered in Maryland, enter the county (or Baltimore City) in which the decedent was domiciled if the trust was created by the will of the decedent or the trust consists of property transferred by the will of the decedent.

If the trust is not principally administered in Maryland but the creator or grantor of the trust is a current resident of Maryland, enter the county (or Baltimore City) in which the creator or grantor resides. See the list of Incorporated cities, towns and taxing areas to determine the subdivision rate.

7 Maryland modifications

Fiduciary's share of Maryland modifications

Generally, certain items must be added to and subtracted from federal taxable income to determine the Maryland adjusted gross income of a fiduciary. Lines 1 through 9b should not be completed if the trust has distributed all of its distributable net income during the year.

Fiduciaries are permitted those additions and subtractions allowed individuals.

For resident fiduciaries, the addition and subtraction modifications to income provided in the instructions for Form 502 for resident individuals apply. Also, a nonresident fiduciary must determine the amount of the income (loss) from non-Maryland sources. This modification is figured by completing Part I of Form 504NR, Maryland Fiduciary Nonresident Income Tax Calculation, which the nonresident fiduciary must use to allocate income (loss) derived from other states that is not taxable in Maryland. For a nonresident fiduciary, any income derived from real property or tangible personal property located in Maryland; income derived from a business wholly or partially carried on in Maryland and in which the trust or estate is a

LIST OF INCORPORATED CITIES, TOWNS AND TAXING AREAS IN MARYLAND

Code No.	Code No.	Code No.	Code No.	Code No.	Code No.
ALLEGANY COUNTY .0100	Mt. Airy .0703	Walkersville .1111	North Chevy Chase .1618	Millington .1808	
Barton .0101	New Windsor .0704	Woodsboro .1112	Oakmont .1619	Queen Anne .1807	
Belair .0112	Sykesville .0705	GARRETT COUNTY .1200	Poolesville .1608	Queenstown .1803	
Bowling Green-	Taneytown .0706	Accident .1201	Rockville .1609	Sudlersville .1804	
Robert's Place .0115	Union Bridge .0707	Deer Park .1203	Somerset .1610	Templeville .1806	
Cresaptown .0108	Westminster .0709	Friendsville .1204	Takoma Park .1611	ST. MARY'S COUNTY .1900	
Cumberland .0102	CECIL COUNTY .0800	Grantsville .1205	Washington Grove .1612	Leonardtown .1902	
Ellerslie .0113	Cecilton .0801	Kitzmilller .1206	PRINCE GEORGE'S	SOMERSET COUNTY .2000	
Frostburg .0103	Charlestown .0802	Loch Lynn Heights .1207	COUNTY .1700	Crisfield .2001	
Lavale .0110	Chesapeake City .0803	Mountain Lake Park .1208	Berwyn Heights .1701	Princess Anne .2002	
Lonaconing .0104	Elkton .0804	Oakland .1209	Bladensburg .1702	TALBOT COUNTY .2100	
Luke .0105	North East .0805	HARFORD COUNTY .1300	Bowie .1704	Easton .2101	
McCoole .0114	Perryville .0806	Aberdeen .1301	Brentwood .1705	Oxford .2102	
Midland .0106	Port Deposit .0807	Bel Air .1302	Capitol Heights .1706	Queen Anne .2105	
Mt. Savage .0111	Rising Sun .0808	Havre de Grace .1303	Cheverly .1707	St. Michael's .2103	
Potomac Park Addition .0109	CHARLES COUNTY .0900	HOWARD COUNTY .1400	College Park .1725	Trappe .2104	
Westernport .0107	Indian Head .0901	No incorporated cities or towns	Colmar Manor .1708	WASHINGTON COUNTY .2200	
ANNE ARUNDEL COUNTY .0200	La Plata .0902	KENT COUNTY .1500	Cottage City .1709	Boonsboro .2201	
Annapolis .0201	Port Tobacco .0903	Betterton .1501	District Heights .1710	Clearspring .2202	
Highland Beach .0203	DORCHESTER COUNTY .1000	Chestertown .1502	Eagle Harbor .1711	Funkstown .2203	
BALTIMORE COUNTY .0300	Brookview .1008	Galena .1503	Edmonston .1712	Hagerstown .2204	
No incorporated cities or towns	Cambridge .1001	Millington .1504	Fairmount Heights .1713	Hancock .2205	
BALTIMORE CITY .0400	Church Creek .1002	Rock Hall .1505	Forest Heights .1728	Keedysville .2206	
CALVERT COUNTY .0500	East New Market .1003	MONTGOMERY COUNTY .1600	Glenarden .1730	Sharpsburg .2207	
Chesapeake Beach .0501	Eldorado .1007	Barnesville .1601	Greenbelt .1714	Smithsburg .2208	
North Beach .0502	Galestown .1009	Brookeville .1602	Hyattsville .1715	Williamsport .2209	
CAROLINE COUNTY .0600	Hurlock .1004	Chevy Chase Sec. 3 .1614	Landover Hills .1726	WICOMICO COUNTY .2300	
Denton .0602	Secretary .1005	Town of Chevy Chase	Laurel .1716	Delmar .2301	
Federalsburg .0603	Vienna .1006	(formerly Sec. 4) .1615	Morningside .1727	Fruitland .2308	
Goldsboro .0604	FREDERICK COUNTY .1100	Chevy Chase Sec. 5 .1616	Mt. Rainier .1717	Hebron .2302	
Greensboro .0605	Brunswick .1101	Chevy Chase View .1617	New Carrollton .1729	Mardela Springs .2303	
Henderson .0611	Burkittsville .1102	Chevy Chase Village .1613	North Brentwood .1718	Pittsville .2307	
Hillsboro .0606	Emmitsburg .1103	Drummond .1623	Riverdale Park .1720	Salisbury .2304	
Marydel .0607	Fredrick .1104	Friendship Heights .1621	Seat Pleasant .1721	Sharptown .2305	
Preston .0608	Middletown .1106	Gaithersburg .1603	University Park .1723	Willards .2306	
Ridgely .0609	Mt. Airy .1114	Garrett Park .1604	Upper Marlboro .1724	WORCESTER COUNTY .2400	
Templeville .0610	Myersville .1107	Glen Echo .1605	QUEEN ANNE'S COUNTY .1800	Berlin .2401	
CARROLL COUNTY .0700	New Market .1108	Kensington .1606	Barclay .1805	Ocean City .2402	
Hampstead .0701	Rosemont .1113	Laytonsville .1607	Centreville .1801	Pocomoke City .2403	
Manchester .0702	Thurmont .1110	Martin's Addition .1622	Church Hill .1802	Snow Hill .2404	

partner, member, or shareholder of the pass-through entity (a business entity taxable at the federal level as partnership or S corporation); income from an occupation, profession or trade wholly or partially carried on in Maryland; and income from Maryland State Lottery prizes or winnings from any other wagering is taxable in Maryland. In addition, a nonresident fiduciary can only claim losses generated in Maryland.

For nonresident fiduciaries, the addition and subtraction modifications to income provided in the instructions for Form 505 for nonresident individuals apply.

Addition Modifications include but are not limited to the following:

Interest on state and local obligations other than Maryland. Resident fiduciaries must enter on line 1 the total amount of interest received (less related expenses) on obligations of any state or political subdivision thereof (except the State of Maryland and its political subdivisions).

Income taxes deducted on federal return.

All fiduciaries must enter on line 2 the total of income taxes imposed by the State of Maryland, any political subdivision thereof, any other state or subdivision of any other state, or the District of Columbia to the extent included on line 11 of the federal form, and not included by a nonresident fiduciary on Form 504NR. See Instruction 8.

Other additions. Include on line 3 any other Maryland additions that must be reported.

Capital losses from sale of certain trust property.

For a resident fiduciary, include on line 3 any capital loss derived from the sale or other disposition of intangible personal property that is held in trust, if the proceeds are added to the principal of the trust, and if all the remaindermen in being are nonresidents during the entire tax year or corporations not doing business in Maryland.

Attach a statement explaining the additions that are included on line 3.

Non-Maryland Loss Nonresident fiduciaries will include their net non-Maryland loss on line 3 (See Instruction 8).

Subtraction Modifications include but are not limited to the following:

Income from U.S. government obligations.

Resident fiduciary must enter on line 5 interest on U.S. savings bonds and other U.S. obligations. Capital gains from the sale or exchange of U.S. obligations should be included on this line. Dividends from mutual funds that invest in U.S.

government obligations are also exempt from state taxation.

However, only that portion of the dividends attributable to interest from U.S. government obligations can be subtracted. You cannot subtract income from Government National Mortgage Association securities.

Other subtractions. Include on line 6 any other Maryland subtractions that may be claimed, except for income from non-Maryland sources.

Nonresident fiduciaries may subtract income from non-Maryland sources on Form 504NR. See Instruction 8.

Attach a statement explaining the subtractions that are being included on line 6.

Fiduciary's share of net Maryland modifications

Only the fiduciary's allocable portion of the Maryland modifications should be used. Complete lines 1 through 9b to calculate this amount.

Divide the total distribution from federal Form 1041 by the distributable net income, expressing the answer in decimal form. Subtract the decimal from 1. This is the Undistributed income factor and is entered on line 9a. Multiply line 9a by line 8 and enter this amount on line 9b. This is the fiduciary's share of net Maryland modifications.

8 Instructions for Maryland Form 504NR

Maryland Fiduciary Nonresident Income Tax Calculation, Form 504NR must be filed by all nonresident fiduciaries who have:

1. any modifications to their federal income, or
2. income from non-Maryland sources.

and is a required attachment to Form 504 for all nonresident fiduciaries meeting the above criteria.

Part I – Reconciliation of Maryland and Federal Income(Loss)

Complete **lines 1 through 9** of the Federal Income column (Column A) using the figures from your federal fiduciary income tax return.

Enter in the Maryland income column (Column B) all income or loss from Maryland sources and enter in the non-Maryland Income column (Column C) all income or loss from non-Maryland sources.

If the nonresident fiduciary distributes all of its income during the tax year, but has capital gain income that is taxable to the fiduciary at the federal level and that is not from Maryland sources, include this income in Column C on line 4.

Line 10. Calculate an income factor by dividing the non-Maryland income(loss) by the federal income(loss). Carry to four decimal places.

Line 11. Enter the following deductions from your federal fiduciary return: interest, taxes; fiduciary fees; charitable deduction; attorney, accountant, and return preparer fees; other deductions not subject to the 2% floor; and allowable miscellaneous itemized deductions subject to the 2% floor.

Line 12. Multiply the federal deductions on line 11 by the income factor on line 10 to arrive at the non-Maryland deductions and enter on line 12.

Line 13. Subtract line 12 from line 9 (Column C) and enter the difference.

If line 13 is less than 0, enter this amount as a positive figure as an addition on line 3 of Form 504. This is the non-Maryland loss. If line 13 is equal to or less than 0, do not complete Part II. There will be no non-Maryland income to subtract. Complete remainder of Form 504 following the instructions in this booklet.

If line 13 is greater than 0, return to Form 504 and complete the return through line 29, then return to Form 504NR.

Part II-Calculation of Nonresident Maryland Income Tax

Line 14. Enter the taxable net income from line 29 of Form 504.

Line 15. Calculate the tax on this amount using the tax rate schedule in the instruction booklet.

Line 16. Enter your non-Maryland income from line 13.

Line 17. Enter the undistributed income factor from line 9a of Form 504.

Line 18. Multiply line 16 by line 17 to arrive at the fiduciary's share of non-Maryland modifications.

Line 19. Subtract the amount on line 18 from line 14 to arrive at the Maryland net taxable income with non-Maryland subtractions.

Line 20. Calculate the Maryland Nonresident Factor by dividing the amount on line 19 by line 14. Carry to four decimal places.

Line 21. Multiply line 20 by the tax shown on line 15 to arrive at the Maryland tax. Enter the Maryland tax on line 30 of Form 504.

Line 22. Multiply the taxable net income on line 19 by 1.25% to calculate the Special Nonresident tax and enter on line 31 of Form 504.

After you enter the amounts from the Form 504NR onto lines 30 and 31 of Form 504, com-

2008 LOCAL TAX RATE CHART

Subdivision	Rate
Baltimore City	.0305
Allegany County	.0305
Anne Arundel County	.0256
Baltimore County	.0283
Calvert County	.0280
Caroline County	.0263
Carroll County	.0305
Cecil County	.0280

Subdivision	Rate
Charles County	.0290
Dorchester County	.0262
Frederick County	.0296
Garrett County	.0265
Harford County	.0306
Howard County	.0320
Kent County	.0285
Montgomery County	.0320

Subdivision	Rate
Prince George's County	.0310
Queen Anne's County	.0285
St. Mary's County	.0300
Somerset County	.0315
Talbot County	.0225
Washington County	.0280
Wicomico County	.0310
Worcester County	.0125

LOCAL TAX WORKSHEET

Multiply the taxable net income by the tax rate from the LOCAL TAX RATE CHART for the county in which the fiduciary was a resident on the last day of the taxable period. Enter the result on line 31 of Form 504. This is the fiduciary local income tax.

1. Taxable net income from line 29 of Form 504\$ _____
2. Local tax rate from Local Tax Rate Chart above **.0**
3. Local income tax (Multiply line 1 by line 2.) Enter this amount on line 31 of Form 504 rounded to the nearest cent or whole dollar.\$ _____

plete the remainder of Form 504 following the instructions in the booklet.

9 Nonresident beneficiary deduction

Nonresident individuals who have intangible income from sources within Maryland are not subject to tax on such income in Maryland. There are some resident fiduciaries that accumulate intangible income in the trust to be distributed later to nonresident beneficiaries. Because this income is not taxable to a nonresident, there is a provision that permits the fiduciary to subtract intangible income accumulated for later distribution to a nonresident beneficiary.

A resident fiduciary with a nonresident beneficiary may enter such income on line 10, to the extent included in the federal taxable income of the resident fiduciary, if the income is derived from intangible personal property and if that income is held in trust for the benefit of and being accumulated for a nonresident individual or a corporation that is not doing business in Maryland.

A resident fiduciary with a nonresident beneficiary may also enter on line 10, to the extent included in the federal taxable income of the resident fiduciary, capital gain income derived from the sale or other disposition of intangible personal property if that income is held in trust; if the proceeds from that sale or other disposition of the intangible personal property are added to the principal of the trust; and if all of the remaindermen of the trust in being are non-residents during the entire tax year or corporations not doing business in Maryland.

The amount that is included on line 10 must actually be for the benefit of and attributable exclusively to the nonresident beneficiary or corporation not doing business in Maryland for which the nonresident beneficiary subtraction is being claimed. Also, the remaindermen for which the nonresident beneficiary subtraction is being claimed cannot be unborn or unascertained persons or persons with contingent interests. In addition the beneficiary or trustee cannot possess a power of appointment over such income.

Do not enter on line 10 income that has been distributed. Line 10 is to be used only when income from intangible personal property is accumulated for a nonresident beneficiary. If line 10 is not zero, attach to Form 504 a copy of the federal form 1041 and all schedules relating to the type(s) and source(s) of income included on line 10. Also, attach a separate document listing all beneficiaries, their domiciliary addresses and applicable tax identification numbers, whether they are income beneficiaries, remaindermen or both, and the amount of intangible income accumulated for each beneficiary. Identify all persons with a power of appointment over the trust property. See Administrative Release 16.

Enter on line 11, expenses allocable to this income. Subtract line 11 from line 10 to arrive at the amount of the nonresident beneficiary subtraction.

10 Income

Copy the figure for federal taxable income from your federal income tax return onto line 21 of Form 504.

However, for a fiduciary exempt from taxation under IRC Sections 408(e)(1) or 501, enter onto line 21 of Form 504, the fiduciary's unrelated business taxable income (as defined under IRC Section 512.)

All items reported on the Maryland return are subject to verification, audit and revision by the Comptroller's Office.

11 Exemptions

A Maryland exemption of \$600 is allowed for a personal representative filing for a decedent's estate (entity type 1). A fiduciary other than a personal representative (entity types 2 through 7) may deduct \$200 as an exemption.

12 Standard and itemized deductions

The fiduciary is NOT allowed a standard deduction or itemized deductions.

13 Figure your Maryland net taxable income.

Complete lines 21-29 using the amounts from lines 9b and 12, if applicable. Line 29 is your Maryland net taxable income.

14 Maryland tax

Compute the tax in accordance with the rate schedule below and enter the tax on line 30. Nonresident fiduciaries should read and refer to Instructions 7 and 8 for information on Form 504NR before continuing. If you are required to use Part II of Form 504NR, enter your Maryland tax from line 21 of Form 504NR on line 30.

15 Local income tax and special nonresident tax

The counties of Maryland and Baltimore City are empowered to levy a local income tax that is collected by the Comptroller with the state tax. You must use the local tax rate in effect for the county that you entered on the front of the form. See the local tax rate chart and worksheet on page 3.

Nonresident fiduciaries enter .0125 on line 31. Fiduciaries who are not required to use Form 504NR, multiply line 29 (taxable net income) by .0125 and enter the result on line 31; otherwise, enter the amount from line 22 of Form 504NR on line 31.

16 Total Maryland tax, local tax and contributions.

Add line 30 and line 31 and enter on line 32. Add to your tax any contribution amounts from line 33, line 34 and line 35. Enter the total on line 36.

Chesapeake Bay and Endangered Species Fund

You may contribute any amount you wish to this fund. The amount contributed will reduce your refund or increase your balance due.

Fair Campaign Financing Fund

You may contribute any amount you wish up to \$500. The amount contributed will reduce your refund or increase your balance due.

Fiduciary Tax rate schedule

If the Taxable Net Income is:		Maryland Tax is:	If the Taxable Net Income is:		Maryland Tax is:
Over	But Not Over		Over	But Not Over	
\$ 0	\$ 1,000	2% of the amount	150,000	300,000	\$7,072.50 plus 5% of the excess over \$150,000
1,000	2,000	\$20 plus 3% of the excess over \$1,000	300,000	500,000	\$14,572.50 plus 5.25% of the excess over \$300,000
2,000	3,000	\$50 plus 4% of the excess over \$2,000	500,000	1,000,000	\$25,072.50 plus 5.5% of the excess over \$500,000
3,000	150,000	\$90 plus 4.75% of the excess over \$3,000	1,000,000	-----	\$52,572.50 plus 6.25% of the excess over \$1,000,000

PRESERVATION AND CONSERVATION EASEMENTS WORKSHEET

Complete this area if claiming a credit for qualified contribution of Preservation and Conservation Easements.

NOTE: For line 1, enter the amount by which the fair market value of the property before the conveyance of the easement exceeds the fair market value after the conveyance as substantiated by a certified real estate appraiser. The carryover amount can be found on the 2007 worksheet.

1. Enter the total of the current year donation amount and any carryover from prior year(s)
2. Enter the amount of any payment received for the easement during 2008.
3. Subtract line 2 from line 1
4. Enter the amount from line 30 (nonresident fiduciaries use line 32) of Form 504 or \$5,000, whichever is less
5. Enter the lesser of lines 3 or 4 here and on line 39 of Form 504.
6. Excess credit carryover. Subtract line 5 from line 3 (Limited to 15 years).

1	
2	
3	
4	
5	
6	

Maryland Cancer Fund

You may contribute any amount you wish to this fund. The amount contributed will reduce your refund or increase your balance due.

IMPORTANT: If there are not sufficient credits or other payments to satisfy your tax and the contribution you have designated, the contribution amounts will be reduced. If you have entered amounts for contribution to multiple funds, any reduction will be applied proportionately.

17 Taxes paid and credits

Write your taxes paid and credits on lines 37-41 of Form 504. Add lines 37 through 41 and enter the total on line 42.

Taxes paid

If Maryland tax was withheld from wages paid to a decedent's estate, enter the amount on line 37 and attach the wage and tax statement.

If you participated in a nonresident real estate transaction, you must report any income tax withheld on your behalf as an estimated payment.

Enter on line 38 the total of Maryland estimated tax payments, any taxes withheld from a nonresident real estate transaction and any payment made with a request for an extension of time to file the return. See instructions on Form 504E.

Credits

If the fiduciary is a resident and must pay income tax to another state, complete lines 13-20 and enter the result on line 39. Note: You must attach a copy of the tax return filed in the other state. If this is not attached, no credit will be allowed. If any credit is being claimed for Preservation and Conservation Easements, complete the worksheet on page 4 and enter the result on line 39. If both credits are applicable, enter the sum on line 39.

If the estate or trust was a member of a pass-through entity (PTE) doing business in Maryland and the PTE paid nonresident tax on its behalf, enter the amount on line 40. You must attach a Schedule K-1 or other statement from the PTE showing the amount of tax paid on behalf of the estate or trust.

This credit may be passed through the nonresident fiduciary and claimed by the beneficiary on its applicable Maryland income tax return in an amount proportionate to the distribution of income by the nonresident fiduciary to that beneficiary. DO NOT include the amount on line 40 if the nonresident fiduciary elects to pass this credit through to the beneficiaries.

Include the Maryland Modified Schedule K-1 (Form 504), federal Schedule K-1 (Form 1041), or other statements to the beneficiaries showing the amount of tax paid by the PTE on behalf of the estate or trust being passed through to the beneficiary. The statement must also include the names and FEINs of PTEs paying tax.

If the estate or trust participated in a nonresident real estate transaction as a member of a PTE that paid taxes on its behalf using Form MW506NRS, report this payment here.

Enter on line 41 any tax credits from Form 500CR and/or Form 502H.

18 Overpayment or balance due.

Calculate the Balance Due (line 43 of Form 504) or Overpayment (line 44 of Form 504).

Part or all of any overpayment may be applied to 2009 estimated tax by completing line 45. Subtract line 45 from the overpayment (line 44). This is the amount of the refund.

Underpayment of Estimated Tax

All taxpayers should refer to Form 504UP (in this booklet) to determine if they owe interest because they paid too little estimated tax during the year.

If you owe interest, complete Form 504UP and write the amount of interest (line 15 of Form 504UP) in the appropriate box on line 47 of Form 504. Attach Form 504UP.

Generally, you do not owe interest if:

- you owe less than \$500 tax on income which is not subject to Maryland withholding, OR
- each current year payment, made quarterly as required, is equal to or more than, one-fourth of 120% of last year's taxes that were developed, OR
- you made quarterly payments during the year which equal 90% of this year's tax, OR
- the year ends less than two years after the decedent's date of death.

If after completing Form 504UP there is no interest due or you meet exception "d", see Instruction 19 for additional information regarding code numbers.

Interest for Late Filing

Interest is due at an annual rate of 13% or 1.08% per month for any month or part of a month that tax is paid after the original due date of the return. Enter any interest due in the appropriate box on line 47.

Total Interest

Enter the total interest for underpayment of estimated tax and interest for late filing on line 47.

Direct Deposit of Refund

Complete lines 49a, b and c if you want us to deposit your refund directly into your account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.



Check with your financial institution to make sure your direct deposit will be accepted and to get the correct routing and account numbers. The State of Maryland is not responsible for a lost refund if you enter the wrong account information.

Line 49a

Check the appropriate box to identify the type of account that will be used (checking or savings). You must check one box only or a refund check will be mailed.

Line 49b

The routing number must be nine digits. If the first two digits are not 01 through 12 or 21 through 32, the direct deposit will be rejected and a check sent instead. If you are not sure of the correct routing number, contact your financial institution.

If you are not sure of the correct routing number or if your check states that it is payable through a financial institution different from the one at which you have your checking account, contact your financial institution for the correct routing number.

Line 49c

The account number can be up to 17 characters (both numbers and letters). Omit spaces, hyphens and special symbols. Enter the number from left to right and leave any unused boxes blank.

If we are notified by the financial institution that the direct deposit is not successful, a refund check will be mailed to you.

Please have a bank statement for the account available if you contact us concerning the direct deposit of your refund.

Disclosure

Entering your bank account routing number, account number and account type in the area provided on your Maryland income tax return to effect a direct deposit of your income tax refund authorizes the Comptroller's Office to disclose this information and your refund amount to the Maryland State Treasurer's Office which performs banking services for the Comptroller's Office.

19 Telephone number, code number, signatures and attachments.

Enter your telephone number and sign and date your return. Be sure to attach all required forms, schedules and statements.

Code Numbers

IMPORTANT: If you complete Form 504UP and, because of the timing of the distributions of income, have no interest due, attach the form to your fiduciary return and write code number **301** in one of the boxes marked CODE NUMBER at the bottom of Form 504.

If you use the annualization method to calculate interest for underpayment of estimated tax, attach Form 504UP to your fiduciary return and write code number **301** in one of the boxes marked CODE NUMBER at the bottom of Form 504. In order for the Revenue Administration Division to recognize your use of this calculation method, you must enter the code number and attach the form, even if there is no interest due.

If the return is for a decedent's estate within two years of the date of death, enter **301** in one of the CODE NUMBER boxes. Do not attach Form 504UP.

Tax Preparers

If another person prepared your return, that person must also sign the return and enter their Social Security number or preparer's tax identification number (PTIN). The preparer declares that the return is based on all information required to be reported of which the preparer has knowledge, under the penalties of perjury. Penalties may be imposed for tax preparers who fail to sign the tax return and provide their Social Security number or preparer's tax identification number.

Signature and verification

This return must be verified and signed by the individual fiduciary or an authorized officer of a corporate fiduciary. If two or more individuals act jointly as fiduciaries, the return may be verified and signed by either.

Attachments

Be sure to attach wage and tax statements (Forms W-2, W-2G and 1099) to the front of your return if Maryland tax is withheld. Complete and attach Maryland Modified Schedule K-1 (Form 504) for each beneficiary. See Administrative Release 16. Also attach all forms, schedules and statements required by

these instructions. Place your check or money order on top of the wage and tax statements and fasten with one staple on the front of your tax return.

20 Mailing your return

Mail your return to:

**Comptroller of Maryland
Revenue Administration Division
Annapolis, Maryland 21411-0001**

21 Payment Instructions

Payment by Check or Money Order

Make your check or money order payable to "Comptroller of Maryland." Use blue or black ink. Do not use red ink. Put your FEIN, type of tax and year of tax being paid, on your check. **DO NOT SEND CASH.**

22 Due Date

Returns must be mailed by April 15, 2009, for calendar year taxpayers. Fiduciaries filing on a fiscal year basis should see Instruction 24.

23 Extension of time to file

Follow the instructions on Form 504E to request an automatic extension of the time to file your 2008 return. Filing this form extends the time to file your return, but does not extend the time to pay your taxes. Payment of the expected tax due is required with Form 504E by April 15, 2009.

24 Fiscal year

You must file your Maryland return using the same tax year and the same basis (cash or accrual) as you used on your federal return.

To file a fiscal year return, complete the fiscal year information at the top of Form 504 and print "FY" in bold letters in the upper left corner of the form. Whenever the term "tax year" appears in these instructions, fiscal year taxpayers should understand the term to mean "fiscal year." Use the 2008 forms in this package for fiscal years that begin during calendar year 2008. If you are filing on a fiscal year basis, file Form 504E by the regular due date of your return.

25 Amended returns

If you need to change a return that you have already filed, or if the Internal Revenue Service changes your return, you must file an amended return.

Note: Changes made as part of an amended return are subject to audit for up to three years from the date the amended return is filed.

Use Form 504 to file an amended return and check the AMENDED RETURN box and draw a line through any barcode on the front of the return. An explanation must be provided on page two of the amended Form 504. Include a copy of the amended federal return.

Changes to Your Federal Return

If the Internal Revenue Service makes any changes to your federal return, you must notify the State of Maryland. Send notification to the Maryland Revenue Administration Division within 90 days of the final determination of the changes by the IRS.

If you file an amended federal fiduciary return that changes your Maryland fiduciary return, you must file an amended Maryland return.

If Your Original Return Showed a Refund

If you expect a refund from your original return, do not file an amended return until you have received your refund check. Then cash the check; do not return it. If your amended return shows a smaller refund, send a check for the difference with the amended return. If your amended return shows a larger refund, the Revenue Administration Division will issue an additional refund check.

Additional Information

Do not file an amended return until sufficient time has passed to allow the original return to be processed. For current year returns, allow at least six weeks.

Generally, you must file your claim for refund within three years from the date your original return was filed or within two years from the date the tax was paid, whichever is later. A return filed early is considered filed on the date it was due.

A claim for refund based on a federal net operating loss carryback must be filed within three years from the due date of the return for the tax year of the net operating loss.

If the claim for refund resulted from a federal adjustment or final decision of a federal court that is more than three years from the date of filing the return or more than two years from the time the tax was paid, a claim for refund must be filed within one year from the date of the adjustment or final decision.

If the claim for refund resulted from a notification received from another state for income taxes due that is more than three years from the date of filing the return or more than two years from the time the tax was paid, a claim for refund resulting from a credit for taxes paid to that state must be filed within one year of the date of the notification that the other state's tax was due.

If the claim for refund or credit for overpayment resulted from a final determination made by an administrative board or an appeal of a decision of an administrative board, that is more than three years from the date of filing the return or more than two years from the time the tax was paid, the claim for refund must be filed within one year of the date of the final decision of the administrative board or final decision of the highest court to which an appeal of the administrative board is taken.

No refund for less than \$1.00 will be issued. No payment of less than \$1.00 is required.

26 Special instructions for bankruptcy estates

A bankruptcy estate is created for an individual under Chapter 7 (a liquidation) or Chapter 11 (a reorganization) under Title 11 of the United States Code. The bankruptcy estate is treated as a separate taxable entity. A separate taxable entity is not created when an individual is in a state receivership.

The fiduciary of a Chapter 7 or a Chapter 11 bankruptcy estate is required to file the estate's return and must file a Maryland return if the fiduciary or trustee is required to file a federal return and has Maryland taxable income. The fiduciary must use the Maryland Fiduciary Return, Form 504.

For an individual, the fiduciary return is the mechanism for paying the tax. The calculation is done on the individual income tax return, Form 502, and the tax is carried to the fiduciary return. The fiduciary of an individual bankrupt debtor should attach the completed Form 502 to the

Form 504. Draw a line through any barcodes on the Form 502 and write "Bankruptcy Estate" in the name and address area.

A trustee of a corporate debtor or other bankrupt entity, who has possession of the bankrupt estate by court order or who holds title to all or substantially all of the property of a bankrupt entity, must file the income tax return for the entity. The fiduciary would be required to file a Maryland income tax return, if the fiduciary is obligated to file a federal return on behalf of the bankrupt entity and also has Maryland taxable income.

The fiduciary should attach a notice of the filing of the bankruptcy estate, which is issued by the applicable bankruptcy court, to the return.

27 Qualified funeral trusts

A fiduciary may file a composite fiduciary income tax return reporting the income of the funeral trusts administered by that fiduciary instead of one fiduciary return for each trust. Check Entity Type Box 6. Attach a schedule showing the name, income, state tax and local tax of each individual trust. Add the state tax amounts and enter on line 30. Add the local tax amounts and enter on line 31. Complete Form 504 according to Instructions 16 through 19.

28 Privacy act information

The Tax-General Article of the Annotated Code of Maryland authorizes the Revenue Administration Division to request information on tax returns to administer the income tax laws of Maryland, including determination and collection of correct taxes. Code Section 10-804 provides that you must include your federal identification number on the return you file. This is so we know who you are and can process your return and documents.

If you fail to provide all or part of the requested information, then exemptions, exclusions, credits, deductions or adjustments may be disallowed and you may owe more tax. In addition, the law provides penalties for failing to supply information required by law or regulations.

You may look at any records held by the Revenue Administration Division which contain personal information about you. You may inspect such records, and you have certain rights to amend or correct them.

As authorized by law, information furnished to the Revenue Administration Division may be given to the United States Internal Revenue Service, a proper official of any state that exchanges tax information with Maryland and to an officer of this State having a right to the information in that officer's official capacity. The information may be obtained in accordance with a proper legislative or judicial order.

Underpayment of Estimated Maryland Income Tax By Fiduciaries

GENERAL INSTRUCTIONS

Section 10-815 of the Tax-General Article of the Annotated Code of Maryland requires every individual, including a fiduciary, who receives taxable income which is not subject to Maryland withholding or from which not enough Maryland tax is withheld to file a declaration of estimated tax if the income can be expected to develop a tax of more than \$500 in excess of the Maryland withholding. Furthermore, Sections 13-602 and 13-702 stipulate that any individual required to file, who either (1) fails to file on the date or dates prescribed; (2) fails to pay the installment or installments when due; or (3) estimates a tax less than 90% of the developed tax shown on the return for the current tax year and less than 120% of the tax that was developed for the prior year, shall be subject to interest and penalty.

WHO MUST FILE

If you believe that you are liable for interest for one of the reasons outlined above, then please complete and submit this form with your tax return.

If you meet one of the following exceptions, then you are not required to file this form:

- (1) the tax year ends less than two years after the decedent's date of death;
 - (2) the tax liability on gross income after deducting Maryland withholding is \$500 or less; or
 - (3) each current year payment, made quarterly as required, is equal to or more than 1/4 of 120% of last year's tax.
- If you want us to figure the interest for you, complete your return as usual. Do not file Form 504UP. You will be notified of any interest due.

IMPORTANT: If you complete Form 504UP and, because of the distribution of income, have no interest due, attach the form to your fiduciary return and write code number **301** in one of the boxes marked Code Number at the bottom of Form 504.

If you use the annualization method to calculate interest for underpayment of estimated tax, attach Form 504UP to your fiduciary return and write code number **301** in one of the boxes marked Code Number at the bottom of Form 504. **In order for the Revenue Administration Division to recognize your use of this calculation method, you must enter the code number and attach the form, even if there is no interest due.**

SPECIFIC INSTRUCTIONS

Lines 1 through 9 are used to determine the minimum amount required to be paid by estimated or withholding tax to avoid interest.

Lines 1-3

Enter the amounts specified from your 2008 Form 504.

Special instructions for 2008: If your Maryland taxable net fiduciary income exceeds \$1,000,000 recalculate the state portion of the tax as if the maximum rate were 5.5% to obtain the amount to enter.

Line 4

Multiply the amount on line 5 of the Form 502TP by the highest state rate used on your tax return not to exceed 5.5%. Apply the local tax rate in effect for your return and enter the sum on this line (nonresidents use .0125).

Line 8

If your 2007 tax was corrected or amended, be sure to include any additional tax when calculating your total tax for the year.

Lines 10 through 12 will determine which periods are underpaid and the amount of underpayment.

Line 10

If you are utilizing the regular method of computing the underpayment of estimated income tax, then enter 1/4 of line 9 in column 1, 1/2 of line 9 in column 2, 3/4 of line 9 in column 3 and an amount equal to line 9 in column 4. If you are utilizing the annualized income installment method, enter the amounts from line 32 in the respective columns.

Line 11

Enter in each column the sum of any estimated payments you have made and any Maryland tax withheld for the period covered by that column. NOTE: Just as in line 10, each successive entry will include the amount from the prior columns. For example, if you paid \$500 in estimated payments each quarter, the first column will contain \$500, the second \$1,000, the third \$1,500 and the fourth \$2,000.

Lines 13 through 15 determine the amount of interest due for each underpaid quarter.

Line 13

The factors represent the interest rate for the portion of the year between the due date of each quarter and the due date of the next quarter. The rate is 1/12 of 13% for each month or part of a month from the due date. If your estimated tax payment was not timely, but was paid earlier than the due date of the next quarter, adjust the factor as follows: count the number of months from the due date that the payment was late; treat a partial month as one month. Divide that number by twelve and multiply it by the 13% annual rate; and apply this adjusted factor to the underpaid amount on line 12.

Line 14

Using the factors on line 13 or the adjusted factor described above, determine the amount of interest due for each quarter and enter the amounts in the appropriate columns.

Line 15

Add all interest amounts in columns 1 through 4 on line 14. Enter the total interest on line 47 of your Form 504. Attach this form to your Form 504.

ANNUALIZED INCOME INSTALLMENT METHOD

If your income varied during the year, you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method. If you use this method for any payment due date, you must use it for all payment due dates. This method automatically selects the smaller of the annualized income installment or the regular installment.

You must complete lines 16-32 of one column before starting the next column.

Line 16

Enter in each column the income received for the period of the year covered by the column. NOTE: Each successive column will include the amount from the prior columns. See the example in the instructions for line 11.

Line 19

Personal representatives of a decedent's estate should enter \$600, all other fiduciaries enter \$200.

Line 21

Compute the state and local tax on the amount on line 20 using the tax rate schedules provided in the instructions for Form 504. Enter the total on line 21.

Special instructions for 2008: If your Maryland taxable net fiduciary income exceeds \$1,000,000 recalculate the state portion of the tax as if the maximum rate were 5.5% to obtain the amount to enter.

Line 22


Enter in the appropriate column the amount of any credits from lines 39 through 41 of the Form 504 and tax developed on tax preference items. (see instructions for line 4).

Line 32

Enter the smaller of line 27 or line 30 in each respective column and the cumulative amounts on line 10 of page 1. This is the amount of the required payments for each period.

Follow the instructions for lines 11 through 15 to compute the amount of interest for the underpayment of estimated taxes, if any.

MARYLAND'S ENDANGERED GREEN SEA TURTLE





Check Line 33 on your Maryland State Tax Form for the investment of a lifetime!

Countless acres of wetlands RESTORED. Thousands of trees PLANTED. Dozens of endangered animals and plants PROTECTED. INVEST \$1 or \$1,000 and keep the Bay healthy for your Lifetime and beyond.

It's this easy:

1. Enter the amount you wish to donate on line 33.*
2. That amount will be deducted from your refund or added to your tax payment.
3. The donation is tax deductible in the following year.

Donations are split evenly between the Chesapeake Bay Trust and the Wildlife and Heritage Division of the Department of Natural Resources. For more information, call the Chesapeake Bay Trust at 410-974-2941.

www.chesapeakebaytrust.org

Maryland Cancer Fund

Use Line 35 and join the fight against cancer in Maryland.

Contributions to the Maryland Cancer Fund can support cancer:

- Prevention
- Screening and Education
- Treatment
- Research

It's easy:

1. Enter the amount you wish to donate on Line 35.
2. That amount will be deducted from your refund or will be added to your tax payment.

For more information,
Call the Maryland Department of Health and Mental Hygiene at
1-800-477-9774.



www.mdcancerfund.org

You can make a contribution...

...on line 34 to the Maryland Fair Campaign Financing Fund. Your contribution helps to provide a funding alternative to large private contributions in elections for governor/ lieutenant governor when candidates accept a spending limit.

- **Enter the amount you choose to donate on Line 34 of your Maryland income tax form.**
- **You can donate up to \$500.**
- **The amount will be deducted from your refund or added to your tax payment.**

MARYLAND BUSINESS REGISTRATION & TAXATION

COMPTROLLER OF MARYLAND REGISTRATION & TAXES

Registration and Licensing All new businesses (corporations, S corporations, partnerships, limited liability companies, business trusts, and sole proprietorships) can file a single application with the Central Registration Unit of the Revenue Administration Division of the Comptroller's Office to establish accounts for employer income tax withholding, sales and use tax, admissions and amusement tax, tire recycling fee, motor fuel tax, alcohol and tobacco tax and unemployment insurance. The Revenue Administration Division offers assistance for filing applications and establishing accounts.

The Central Registration Unit assigns a single state identification number for the taxes listed above. Register online at www.marylandtaxes.com

Corporation Income Tax The corporation income tax applies to every Maryland corporation and every other corporation which has a nexus with Maryland. Nexus is the term used to indicate a taxable connection between a corporation and a taxing authority. If a corporation conducts business activity within Maryland and exceeds the provisions of U.S.C.A. Title 15, Section 381 of the Interstate Commerce Act (P.L. 86-272) it has a nexus and must file an income tax return.

The tax is based on federal taxable income after state modifications. Corporations engaged in multi-state operations must allocate income using an apportionment formula, generally consisting of receipts, property and payroll factors. The tax is imposed at a flat rate of 8.25% of Maryland taxable income.

Employer Withholding of Income Tax Employers making payments to individuals of salaries, wages or compensation for personal services must withhold income tax and remit the withholding to the Maryland Revenue Administration Division. The amount of tax to be withheld is prescribed in published tables which are based on the individual income tax rates.

Sales and Use Tax This tax applies to businesses selling in Maryland or purchasing out of state for Maryland use.

The general Maryland sales and use tax rate is 6%. A special 8% rate is imposed on rental trucks, and a special rate of 11½% is charged on rentals of passenger cars and recreational vehicles. Most sales of food by substantial grocery or market businesses are not subject to tax. Specific prepared foods purchased in grocery stores are subject to tax. Other exemptions include all sales solely for resale, medicine, energy for residential use, manufacturing machinery and equipment, and certain agricultural equipment and supplies.

Motor Fuel Tax Generally, this tax applies to businesses selling or using motor fuel in Maryland.

The Maryland motor fuel tax rate is currently 23½¢ per gallon of gasoline and 24¼¢ per gallon of diesel fuel. There are other requirements for motor carriers, dealers, special fuel users, sellers, and service station operators.

Maryland implemented the International Fuel Tax Agreement (IFTA) for motor carriers on 1/1/96.

Alcohol and Tobacco Tax These taxes apply to businesses manufacturing, selling, distributing or storing alcoholic beverages or selling and/or distributing cigarettes and other tobacco products in Maryland.

The Maryland excise tax rates on alcoholic beverages are \$1.50 per gallon of distilled spirits, 40¢ per gallon of wine, and 9¢ per gallon of beer. The tobacco tax rate is \$2.00 per pack of 20 cigarettes, the rate is 15% of the wholesale price for other tobacco products.

Admissions and Amusement Tax This tax is imposed on a variety of activities, such as admission to any place, including motion pictures, athletic events, races, shows or exhibits. Also subject to this tax are receipts from athletic equipment rentals, bingo, coin-operated amusement devices, boat rides and excursions, amusement rides, golf green fees, golf cart rentals, skating, bowling shoe rentals, lift tickets, riding academies, horse rentals, and merchandise, refreshments, or a service sold or served in connection with entertainment.

The admissions and amusement tax is a local tax collected by the Comptroller's Office on behalf of Maryland's counties, Baltimore City, other incorporated cities and towns. The tax is set by the localities at rates varying from one-half of 1% to 10% of the admissions and amusement receipts. When the gross receipts are also subject to the sales and use tax, the combined tax rate may not exceed 11%.

A separate State admissions and amusement tax of 20% is imposed on the net proceeds from electronic bingo or electronic tip jars.

Tire Recycling Fee This fee applies to tire wholesalers or a tire retailer who buys tires from out-of-state sources. Registration and payment of the fee is handled by the Revenue Administration Division.

Utility Surcharges These surcharges are collected by electric companies that deliver electricity in Maryland and by telephone companies doing business in Maryland. The electricity surcharges are then paid to the Comptroller for deposit in the Environmental Trust and Universal Service Program Funds. The telecommunications surcharges are paid to the Comptroller for deposit in the 911 Emergency Telephone System and Communications Access of Maryland Funds.

The utility surcharges are collected by the Revenue Administration Division.

OTHER REGISTRATIONS & TAXES

New Corporations In addition to registering with the Central Registration Unit of the Comptroller's Office, all corporations doing business in Maryland must register with the Department of Assessments and Taxation. This is also the office to contact to form a new corporation.

Bay Restoration Fee This fee is collected by all non-exempt local governmental entities, billing authorities, drinking water and sewage water treatment plant owners, who provide water or sewage services to residential, multi-residential, and non-residential users. County governments are responsible for collecting a septic fee from owners of private wells and septic systems. The fees are remitted by these entities quarterly to the Comptroller for deposit to the Bay Restoration Fund.

Public Service Company Franchise Tax In addition to corporation income tax, public service companies are subject to the franchise tax on gross receipts. This tax is administered by the Department of Assessments and Taxation.

Insurance Company Premium Tax Insurance companies are exempt from the corporation income tax but are subject to the premium tax that is administered by the Maryland Insurance Administration.

Unemployment Insurance Employers are subject to the Department of Labor, Licensing and Regulation unemployment insurance requirements and must file a combined registration application to establish an account.

Workers' Compensation Employers in Maryland must provide workers' compensation insurance for all employees. Employers may obtain coverage from a private insurance company, by becoming self-insured or by contacting the State Injured Workers' Insurance Fund. Employers believing they are not required to obtain this insurance may contact the Workers' Compensation Commission for certification of compliance.

Business Licenses Licenses are required for certain businesses to operate in Maryland. To determine if a license is necessary, contact the clerk of the circuit court in the Maryland county (or Baltimore City) where the business operates. A circuit court is located in each of those jurisdictions.

OTHER REQUIREMENTS

Bulk Sales When an existing business is bought, the purchaser must pay a 6% bulk sales and use tax on the price of tangible personal property, such as furniture and fixtures, that is part of the business. This tax is collected by the Compliance Division of the Comptroller's Office.

Dissolution of Corporation Articles of Dissolution must be filed with the Department of Assessments and Taxation for the dissolution of a corporation. As of 10/1/99, a tax clearance certificate is no longer required for the dissolution of a corporation.

Unclaimed Property Unclaimed funds such as wages, insurance benefits, bank accounts or security deposits must be reported if they remain unclaimed for three years. This property must be reported to the Compliance Division.

NOTE: The information provided on this page is a brief summary of the various Maryland business requirements and is based on the law in effect as of 7/1/08. For additional information, see the reverse side for the addresses and phone numbers of the Maryland agencies most frequently contacted by businesses.

MARYLAND STATE AGENCIES

(MOST FREQUENTLY CONTACTED BY BUSINESSES)

COMPTROLLER OF MARYLAND

www.marylandtaxes.com

Online business registration

www.marylandtaxes.com

New businesses can register online and set up tax accounts any time 24 hours a day.

For other new business information, visit the Business License Information System at www.blis.state.md.us.

Compliance Division

301 W. Preston Street
Baltimore, MD 21201-2383

Bulk sales **410-767-1579**
or **800-648-9638**
Business tax collections **410-767-1655**
or **888-614-6337**
Sales & use, admissions & amusement tax and tire fee refunds **410-767-1538**
or **800-492-1751**
Unclaimed property **410-767-1700**
or **800-782-7383**

General Accounting Division

Goldstein Treasury Building — Room 200
Annapolis, MD 21404-0746

Tax clearances **410-260-7813**
or **888-784-0144**

MATT Regulatory Division

(Motor-fuel, Alcohol & Tobacco Tax)
Goldstein Treasury Building — Room 315
Annapolis, MD 21404

Motor-fuel Licensing & Registration **410-260-7131**
or **888-784-0142**
Motor Carrier & IFTA Licensing **410-260-7138**
or **888-784-0141**
Alcohol & Tobacco Licenses & Permits **410-260-7314**
or **888-784-0145**

Field Enforcement Division

Goldstein Treasury Building — Room 310
Annapolis, MD 21404-2397

Enforcement & Inspections **410-260-7388**
or **888-674-0017**
State License Bureau **410-260-6240**
or **866-239-9359**
Motor Fuel Testing Laboratory **410-799-7777**

Revenue Administration Division

Revenue Administration Center
Annapolis, MD 21411-0001

Facsimile transmittal **410-974-2967**
Forms (all income tax and employer withholding) **410-260-7951**
Substitute/computer-generated **410-260-7442**
Income tax information **410-260-7980**
(corporation, individual, fiduciary, pass-through entity) or **800-638-2937**
Income tax refund inquiries **410-260-7701**
or **800-218-8160**
Tax-exempt organization registration **410-260-7980**
or **800-638-2937**

Baltimore area office **410-767-1300**
301 W. Preston Street — Room 206 or **800-492-1751**
Baltimore, MD 21201-2383

Admissions and amusement tax *Employer withholding tax*
Bay Restoration Fee *Sales and use tax*
Central registration *Tire recycling fee*

OTHER AGENCIES

Department of Agriculture **410-841-5700**
50 Harry S. Truman Parkway or **800-492-5590**
Annapolis, MD 21401

Conservation tillage equipment certification **410-841-5863**
www.mda.state.md.us

Department of Assessments & Taxation

301 W. Preston Street — Room 806
Baltimore, MD 21201-2395

Charter/incorporation information **410-767-1350**
Public service company franchise tax **410-767-1940**
New corporation information **410-767-1350**
Resident agent information **410-767-1330**
Personal property tax assessments **410-767-1170**
or **888-246-5941**
Property tax credits **410-767-4433**
www.dat.state.md.us or **800-944-7403**

Department of Business and Economic Development

217 E. Redwood Street — 23rd Floor or **800-CHOOSEMD**
Baltimore, MD 21202

Office of Regional Response **410-767-0523**
www.dbed.state.md.us

Department of Labor, Licensing & Regulation

1100 N. Eutaw Street — Room 414
Baltimore, MD 21201

Unemployment insurance **410-767-3260**
or **800-492-5524**

Enterprise Zones — Economically disadvantaged employee certification **410-767-2080**
Job services **410-767-2148**
www.dlir.state.md.us

Department of the Environment

1800 Washington Blvd. or **800-633-6100**
Baltimore, MD 21230

Air management and radiation (oil furnace conversion) **410-537-3260**
Asbestos **410-537-3200**
www.mde.state.md.us

Injured Workers' Insurance Fund

8722 Loch Raven Boulevard or **800-264-4943**
Towson, MD 21286-2235
www.iwif.com

Maryland Insurance Administration

525 St. Paul Place
Baltimore, MD 21202
Insurance company premium tax **410-468-2000**
www.mdinsurance.state.md.us or **800-492-6116**

Department of Natural Resources

Tawes State Office Building — 580 Taylor Avenue
Annapolis, MD 21401-2397

Reforestation & timber stand improvement information **410-260-8531**
www.dnr.state.md.us

Utility surcharges

911 Telephone System Surcharge **410-585-3015**
Environmental Surcharge on Electricity **410-767-8025**
Telecommunications Access Surcharge **410-767-6962**
Electric Universal Service Surcharge **410-767-7415**

Workers' Compensation Commission

6 N. Liberty Street — Room 940 or **800-492-0479**
Baltimore, MD 21201-3785
www.wcc.state.md.us